



LOCAL GOVERNANCE



Photo: Courtesy PADCO

Worker monitoring new equipment at Kalush's water pumping station

THE CHALLENGE

The growth of local government remains stifled by the limited resources that municipalities have at their disposal to maintain, refurbish and develop basic services and infrastructure. Local governments need to attract domestic and foreign capital investment and to learn to manage their budgets effectively and efficiently, while becoming more transparent and accountable to the citizenry.

PROGRAM OBJECTIVES

- To establish essential infrastructure to enable Ukrainian city governments to attract investment, promote business development and create jobs.
- Increase access to credit for municipal communal services enterprises to improve their infrastructure.
- Make municipal budgets more effective, transparent and accountable to the citizens.
- Strengthen the capacity of cities to perform core functions, such as formulation and implementation of strategic plans;
- Assist municipalities to improve the delivery of communal services to the population and local industries through market-oriented reforms in the communal services sector.

OVERVIEW

USAID activities in the areas of local government, municipal development and local economic development are designed to enhance local governments' capacity to improve service delivery to their residents, further develop autonomous and transparent financial planning and management strategies, and provide forums for an informed citizenry to actively participate in local decision-making. USAID is promoting local self-governance, municipal development, effective budget management and fiscal autonomy in five programs: Municipal Credit, Local Economic Development, Municipal Budget Reform, the Association of Ukrainian Cities and Communal Services.

OUR PROGRAMS

Local Economic Development

Train municipal officials in economic development, budget and financial management, housing and communal services, and citizen participation.

Expanding Training and Advocacy Services of the Association of Ukrainian Cities

Work with the Association of Ukrainian Cities membership to strengthen their capacity to perform such core functions as formulation and implementation of strategic plans, transparent and participatory governance, effective budgeting and improved communal services

Municipal Budget Reform

Assisting municipalities in improving their budget preparation and management processes, implementing performance-program budgets, and encouraging citizen participation; providing technical assistance to the Ministry of Finance in implementing Performance Program Budgeting; providing assistance to selected Parliamentary Committees and the Ministry of Finance for improving the Budget Code and on draft legislation to improve the fiscal autonomy of local governments.

Communal Services

Improvement of the delivery of essential communal services, such as water, wastewater and heat, to customers through the improvement of the laws and regulations that govern communal services, and restructuring of communal services enterprises to improve their financial, management, technological and operational performance.

Technical assistance in the assessment of municipal communal services enterprises and the development of strategic action plans for communal services improvement.

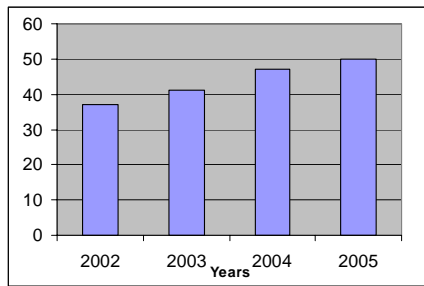
Municipal Credit

Creation of a municipal credit DCA that provides loans to cities for infrastructure development to improve essential municipal services.

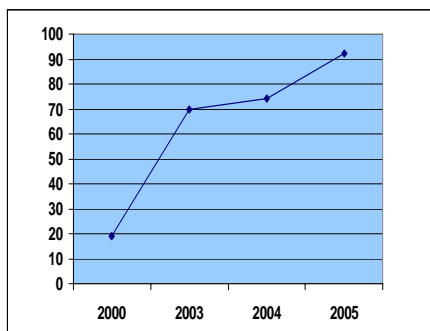
Community Partnership Program

The project links 14 U.S. cities with Ukrainian cities to improve local governance by targeting one or more of five focus areas: economic development, budgeting, housing and communal services, transportation and citizen participation.

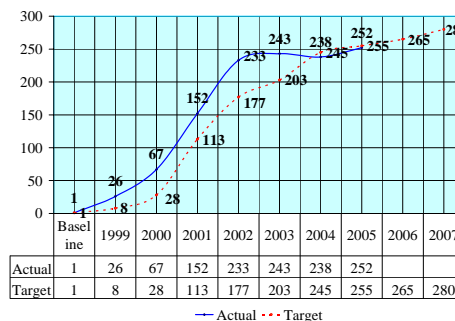
Local Good Governance Index (%) (Source: IFES annual opinion poll)



Improvements in Services in Cities, number (cumulative)



Cities with Institutionalized Citizen Participatory Mechanisms (Advisory Boards)



Implementing Partners

Local Economic Development: Chemonics
Municipal Credit: Nadra Bank, UkrSibBank
Municipal Budget Reform: RTI
Communal Services Rollout Project: Municipal Development Institute
Community Partnership Program: U.S. Ukraine Foundation
Expanding Training and Advocacy Services: Association of Ukrainian Cities

PROGRAM HIGHLIGHTS

Local Economic Development

- 252 cities now actively use task forces and/or advisory boards with citizen participation to work on city development plans; 126 cities are using strategic action plans and/or business plans for investment purposes; 86 cities regularly use transparent competitive bidding for the procurement of equipment and services; 92 cities improved the delivery of municipal services; and 192 cities make use of financial analysis models as a planning tool.
- Twenty-two cities are engaged in the process of developing, approving and implementing Strategic Action Plans for Local Economic Development.

Communal Services

- 15 cities improved their water systems by implementing energy efficiency projects, used public hearings to develop and approve strategic action plans for water services improvement and began a special educational program for secondary schools on water conservation and quality topics.
- A new regulation on setting tariffs for water, wastewater and district heating services was developed and approved.
- 28 cities participated in a comprehensive program to improve management and service delivery of water and district heating systems. Most of participating cities have already increased tariffs by 30-50 percent, which is near cost recovery levels. Payment collection rates for customers at all participating enterprises increased by 10-30 percent during the project period.

Municipal Credit

- Two Loan Portfolio Guarantee Agreements have been signed with two Ukrainian banks to provide lending to communal services enterprises worth \$3,000,000.

Expanding Training and Advocacy Services of the Association of Ukrainian Cities

- Membership in the AUC has now grown to some 460 municipalities.
- More than 3,000 local officials attended the AUC training sessions on local government operations and intergovernmental relations using Distance Learning technologies.

Municipal Budget Reform

- USAID helped the Ministry of Finance and oblast, rayon and city financial departments throughout the country to design and implement the formula-based methodology for intergovernmental budget transfers that was recently introduced by the Budget Code. Over 800 financial officers representing all 686 independent local budgets of Ukraine attended trainings on implementation of the new intergovernmental financial system.
- A total of 1,907 local government officials and citizens representing 33 cities were trained in performance program budgeting (PPB) and implementation.
- 31 city councils approved 2006 City Budget in the PPB format (to be implemented simultaneously with the traditional line-item budget).

For more information, please contact USAID/Ukraine Development Outreach & Communications, tel. (380 44) 537 4600 or visit <http://ukraine.usaid.gov>